

## Message Text

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47

ACTION AF-18

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 INT-08 PA-03 PRS-01 USIA-12

EUR-25 RSR-01 /142 W

----- 061344

R 121543 Z APR 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9121

AMEMBASSY CONAKRY

INFO USINT ALGIERS

AMEMBASSY FREETOWN

AMEMBASSY KINSHASA

AMEMBASSY MONROVIA

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E. O. 11652: N/A

TAGS: EMIN, ETRD, NI

SUBJECT: NIGERIAN IRON AND STEEL INDUSTRY

REF: CONAKRY 0504 AND STATE 40403 (NOTAL)

1. BEGIN SUMMARY: NIGERIAN STEEL DEVELOPMENT AUTHORITY  
STILL HOPEFUL NIGERIA MAY START CONSTRUCTION OF IRON  
AND STEEL INDUSTRY IN 1974. HOWEVER, SOVIET GEOLOGI-  
CAL EXPLORATION, WHICH HAS BEEN VERY SLOW, HAS NOT  
YET COME UP WITH ANY PROMISING COAL OR  
IRON ORE DEPO-  
SITS. ECONOMIC FEASIBILITY OF PLANT BASED UPON KNOWN  
DOMESTIC LOW- GRADE IRON ORE AND COAL DEPOSITS OR UPON  
IMPORTED RAW MATERIAL TO MEET LIMITED MARKET SO QUES-  
TIONABLE THAT WE DOUBT FMG WILL BE PREPARED IN NEAR  
FUTURE TO EARMARK ESTIMATED 600 MILLION DOLLARS NEEDED  
TO BUILD PLANT. HENCE, UNLIKELY THAT NIGERIA WILL IM-  
PORT IRON ORE FROM GUINEA OR OTHER SOURCES FOR MANY  
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YEARS. END SUMMARY.

2. REPORT ATTRIBUTED TO NIGERIAN AMBASSADOR TO GUINEA THAT TWO STEEL MILLS UNDER CONSTRUCTION IN NIGERIA IS NOT CORRECT. NIGERIAN STEEL DEVELOPMENT AUTHORITY STILL HOPES THAT CONSTRUCTION OF 600 MILLION DOLLAR IRON AND STEEL MILL WITH AN INITIAL CAPACITY OF 1 MILLION TONS PER YEAR AND ULTIMATE CAPACITY OF 2.5 MILLION TONS CAN BEGIN IN 1974, BUT ACTUAL PLANS FOR ESTABLISHING STEEL INDUSTRY VERY INDEFINITE. T. C. EFOBI, SENIOR OFFICIAL OF AUTHORITY, CLAIMS SMALL STEEL- MAKING PILOT PLANT IS UNDER CONSTRUCTION, BUT THIS WILL BE LIMITED TO TESTING FEASIBILITY OF USING DOMESTIC IRON ORE AND COAL IN STEEL PRODUCTION. HE ESTIMATES NIGERIA'S TOTAL STEEL CONSUMPTION TO BE ABOUT 1.5 MILLION TONS ANNUALLY. COMMISSIONER OF INDUSTRIES, ADETORO, STATED ON APRIL 5 THAT FEASIBILITY STUDY ON IRON AND STEEL INDUSTRY " MIGHT" BE READY BY END OF 1973, BUT FROM CONVERSATION WITH EFOBI WE SUSPECT THIS WOULD MORE LIKELY BE MERELY SOVIET REPORT REGARDING LOCATION AND CHARACTERISTICS OF IRON ORE, COAL, LIMESTONE AND OTHER MINERALS AND THEIR SUITABILITY FOR COMMERCIAL STEEL PRODUCTION.

3. UNDER A 1967 AGREEMENT USSR INITIATED AERIAL AND GROUND GEOLOGICAL SURVEY IN CENTRAL NIGERIA TO LOCATE AND ASSESS BOTH IRON AND COAL DEPOSITS SUITABLE FOR STEEL INDUSTRY. EXPLORATION TO DATE HAS ONLY CONFIRMED PRESENCE RELATIVELY LOW- GRADE IRON ORE DEPOSITS WITH CONSIDERABLE IMPURITIES ( PHOSPHOROUS AND SULPHUR) AND LOW- GRADE COAL. NIGERIA'S COAL IN NATURAL FORM IS UNSUITABLE FOR COKING; COKE COULD BE PRODUCED, EFOBI SAID, ONLY IF COAL IS FIRST PROCESSED INTO SMALL BRIQUETTES. IF IRON WERE PRODUCED DIRECTLY WITH LOW- GRADE COAL, IT WOULD NEED FURTHER REFINING, ANOTHER EXPENSIVE PROCESS. BEST LOCATION FOR A STEEL PLANT, IF ONE IS TO BE BUILT, APPEARS TO BE LOKOJA NEAR IRON ORE DEPOSITS OR SOMEPLACE IN EAST CENTRAL STATE CLOSER TO COAL DEPOSITS. NO MENTION OF IBADAN AS SITE. IF IMPORTED RAW MATERIALS ARE TO BE USED, THIS FACTOR WOULD ALSO INFLUENCE SITE SELECTION.

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4. EFOBI SAID THAT ALTHOUGH CONTRACT WITH USSR PROVIDES

NO TIME LIMIT FOR COMPLETION OF WORK, STEEL AUTHORITY GROWING INCREASINGLY IMPATIENT WITH SOVIET DELAY IN COMPLETING SURVEYS AND SUBMITTING FINDINGS. IT IS SEARCHING FOR ALTERNATE WAYS TO PROCEED WITH STEEL INDUSTRY, AND TALKS HAVE BEEN HELD WITH CANADIANS, BRITISH, ITALIANS AND JAPANESE.

5. WHEN QUERIED ABOUT NIGERIAN PARTICIPATION IN FIVE-NATION CONSORTIUM TO DEVELOP GUINEAN IRON ORE, EFOBI CLAIMED STEEL AUTHORITY KNEW VERY LITTLE ABOUT PLAN WHICH APPEARED TO HIM TO BE LARGELY POLITICALLY MOTIVATED. HE SAID STEEL AUTHORITY ALSO NOT CONSULTED RE INCLUSION OF SIERRA LEONE IRON ORE IN DRAFT TRADE AGREEMENT PREPARED WHEN GOSL ECONOMIC DELEGATION VISITED LAGOS IN FEBRUARY ( LAGOS 8349). HE AGREED, HOWEVER, THAT IF NIGERIA DECIDES TO BASE ITS STEEL INDUSTRY EVEN IN PART UPON IMPORTED IRON ORE, GUINEA, SIERRA LEONE OR LIBERIA WOULD BE LOGICAL SOURCES.

6. COMMENT: EMBASSY BELIEVES HIGHLY UNLIKELY THAT CONSTRUCTION OF STEEL PLANT WILL BEGIN IN 1974 AS HOPED BY EFOBI. IN VIEW OF LOW QUALITY OF DOMESTIC IRON ORE AND COAL AND THE COST OF IMPORTING BOTH OF THESE KEY RAW MATERIALS, ECONOMIC QUESTIONABILITY OF MASSIVE INVESTMENT IN IRON AND STEEL PLANT MAY FURTHER DELAY DECISION TO PROCEED WITH STEEL INDUSTRY WHICH NIGERIA HAS TALKED ABOUT ESTABLISHING FOR OVER 15 YEARS. WE ALSO NOTE THAT LARGE PORTION OF NIGERIA'S STEEL CONSUMPTION CONSISTS OF SPECIAL STEELS FOR PETROLEUM INDUSTRY WHICH WOULD NOT BE PRODUCED LOCALLY IN ANY CASE FOR MANY YEARS, IF EVER. EVEN IF ULTIMATELY DECISION IS MADE TO PROCEED WITH IRON AND STEEL INDUSTRY USING IMPORTED IRON ORE, TIME REQUIRED TO BUILD PLANT WOULD PUT OFF NEED TO IMPORT ORE FROM GUINEA OR OTHER SOURCES FOR MANY YEARS. AS RESULT, WE QUESTION WHETHER NIGERIA'S IMMEDIATE CONTRIBUTION TO AND PARTICIPATION IN MIFERGUI COULD BE MUCH MORE THAN SYMBOLIC.  
REINHARDT

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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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ALGIERS  
CONAKRY  
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KINSHASA  
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